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FEATURE ARTICLE: A STATISTICAL OVERVIEW OF THE CONSTRUCTION INDUSTRY

INTRODUCTION

The construction industry is the fourth largest contributor to Gross Domestic Product (GDP) in the Australian economy and plays a major role in determining economic growth. In chain volume terms, the construction industry accounted for 6.8% of GDP in 2008-09, compared with 7.0% in 2007-08. The industry had previously experienced seven consecutive years of growth as a proportion of GDP, since the introduction of the Goods and Services Tax (GST) in 2000-01. As at May quarter 2009 the construction industry employed 9.1% of the Australian workforce, making it Australia's fourth largest industry.

The construction industry operates in both the private and public sectors, engaging in three broad areas of activity; residential building, non-residential building and engineering construction. Demand for, and supply of, these services is driven by economic factors including population growth and consumer confidence, changes in interest rates and inflation. Most recently, government policies affecting housing and infrastructure projects have been an influence. The availability of resources, such as labour and building materials, and changes within closely linked sectors (e.g. agriculture, mining and manufacturing), also drive change in the industry.

There is a current media focus on the residential building component of construction, highlighting low levels of housing availability and affordability in Australia's major cities. In 2009, media interest centred around Australia's economic response to the Global Financial Crisis (GFC), which saw increased Government funding for infrastructure. Much attention has been given to the affect of government intervention in stimulating economic growth and maintaining demand for labour, particularly for the construction of residential and education buildings.

CONSTRUCTION INDUSTRY DEFINITION

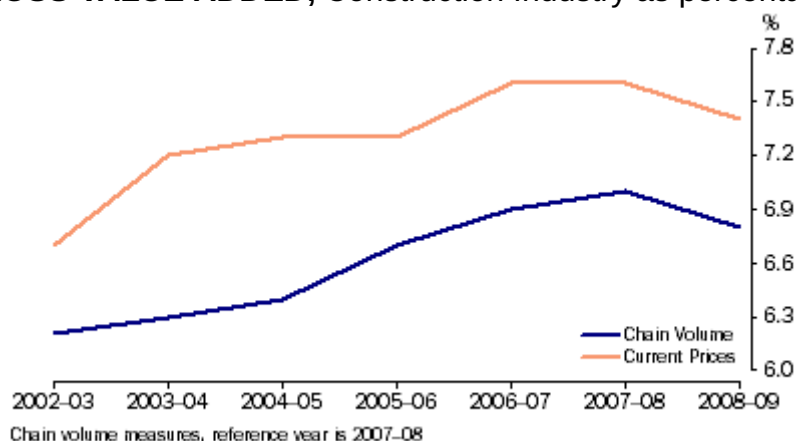
The construction industry consists of those businesses mainly engaged in the construction of residential and non-residential buildings (including alterations and additions), engineering structures and related trade services classified under the Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006.

CONTRIBUTION TO GROSS DOMESTIC PRODUCT

GDP is the total market value of goods and services produced in Australia within a given period, after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital. In chain volume terms, the construction industry's share of GDP declined to 6.8% in 2008-09, its lowest level since 2005-06. Prior to 2008-09, the construction industry had steadily increased its share of GDP from 6.2% in

2002-03 to 7.0% in 2007-08.

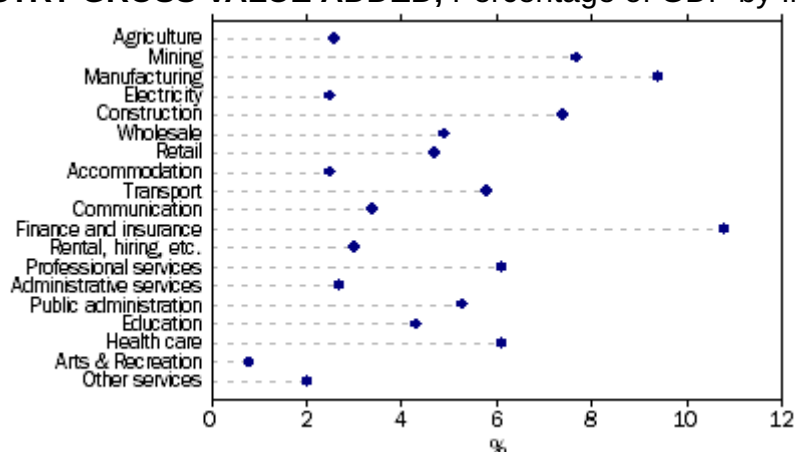
INDUSTRY GROSS VALUE ADDED, Construction Industry as percentage of total GDP



Source: Australian System of National Accounts, 2008-09 (cat. no. 5204.0)

Construction was Australia's fourth largest contributor to GDP during 2008-09, in current price terms. It ranked behind Financial and insurance services (10.8%), Manufacturing (9.4%), and Mining (7.7%).

INDUSTRY GROSS VALUE ADDED, Percentage of GDP by Industry



Source: Australian System of National Accounts, 2008-09 (cat. no. 5204.0)

CONSTRUCTION WORK DONE

In chain volume terms, the value of construction work done during 2008-09 was \$151.3 billion, an 11.0% increase from the previous financial year. The five years to 2008-09 saw value of work done on building and engineering construction increase by 10.1% and 84.2% respectively. This discrepancy in growth rates has seen a shift in the split between building and engineering construction work done in Australia. Building construction represented 62.5% of total building in 2004-05, compared to 50.2% in 2008-09.

CONSTRUCTION WORK DONE, Chain Volume Measures

	2004-05	2005-06	2006-07	2007-08	2008-09
Value (\$billion)					
Residential building	44.9	42.6	42.9	43.2	42.9
Non-Residential building	23.9	26.9	29.3	32.0	33.0
Total building	68.9	69.6	72.3	75.3	75.9
Engineering Construction	41.0	51.5	55.7	61.1	75.4

Total	110.3	121.2	128.0	136.4	151.3
Percentage change from previous year					
Residential building	-0.2	-5.0	0.7	0.7	-0.7
Non-Residential building	4.7	12.7	9.0	9.2	2.9
Total building	1.4	0.9	3.9	4.1	0.8
Engineering Construction	14.6	25.7	8.2	9.7	23.4
Total	5.8	9.8	5.6	6.5	11.0

Source: Construction Work Done, Australia, Preliminary, March 2010 (cat. no. 8755.0)

INDUSTRY PERFORMANCE

In 2008-09, operating profit before tax for the construction industry was \$27.6 billion, a decrease of 8.0% on the previous financial year.

Total income rose from \$259.7 billion in 2007-08 to \$266.1 billion in 2008-09, an increase of 2.5%. Total expenses rose from \$231.0 billion in 2007-08 to \$237.3 billion in 2008-09, an increase of 2.7%.

INDUSTRY PERFORMANCE, Construction - Current Prices

	2004-05	2005-06	2006-07	2007-08	2008-09
Financial Performance	\$b	\$b	\$b	\$b	\$b
Sales of goods and services	170.5	196.1	231.8	256.0	261.4
Funding from government for operational costs	0.0	0.1	0.4	0.3	0.7
Interest income	0.7	0.6	0.9	1.1	1.4
Other income	3.0	2.1	4.2	2.4	2.6
Total income	174.2	198.8	237.3	259.7	266.1
Selected labour costs	25.9	29.6	37.7	42.4	45.1
Cost of sales	123.8	141.5	160.8	178.8	181.7
Depreciation and amortisation	3.4	3.6	2.5	3.4	4.1
Interest expenses	2.2	2.7	3.2	3.7	5.6
Other operating expenses	2.0	1.8	5.3	1.8	2.3
Total expenses	157.7	179.0	204.9	231.0	237.3
Change in inventories	0.4	0.0	-3.3	1.3	-1.2
Operating profit before tax	16.9	19.5	29.2	30.0	27.6

Source: Australian Industry 2008-09, (cat. no. 8155.0)

BUSINESS INVESTMENT

In 2008-09 private new capital expenditure in the construction industry was \$4.1 billion, an increase of 0.4% on the previous financial year. Over the same period, expenditure in all industries increased by 16.9%. Growth in expenditure for the construction industry in 2008-09 was at its lowest rate since 2002-03, and below the growth rate of all industries for the first time since 2005-06. The construction industry was the tenth largest contributor to private new capital expenditure in 2008-09 at 3.6% of the total, while the largest expenditure by a single industry was in Mining, contributing 33.6%.

PRIVATE NEW CAPITAL EXPENDITURE^(a), Construction Industry

	2005-06	2006-07	2007-08	2008-09
	\$b	\$b	\$b	\$b

Construction	3.1	3.4	4.1	4.1
Total All Industries	80.6	87.5	96.8	113.1

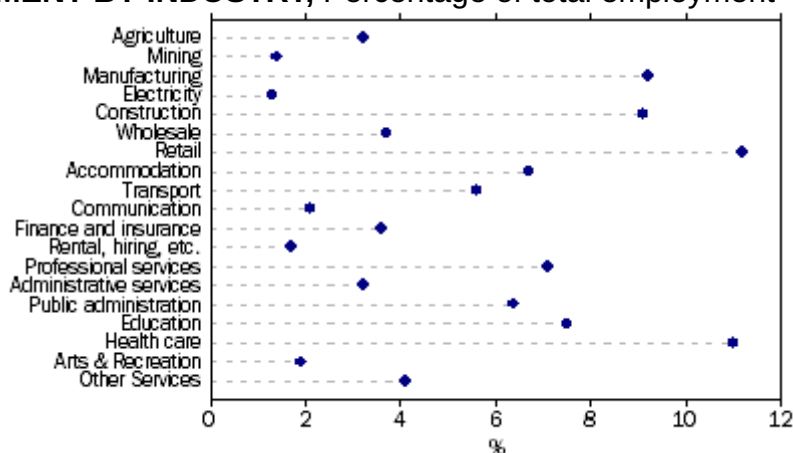
(a) Current prices

Source: ABS data available on request, Private New Capital Expenditure and Expected Expenditure, Australia, (cat. no, 5625.0)

LABOUR

The construction industry is one of the largest employing industries in Australia. As at the May quarter 2009, there were 984,100 people employed in the construction industry representing 9.1% of the total workforce. It was the fourth largest employing industry behind Retail Trade (11.2%), Health Care and Social Assistance (11.0%) and Manufacturing (9.2%).

EMPLOYMENT BY INDUSTRY, Percentage of total employment - May 2010



Source: Labour Force, Australia, Detailed, Quarterly, May 2010, (cat. no. 6291.0.55.003)

Over the three years from May 2006 to May 2009, the number of persons employed in the construction industry increased from 892,100 to 984,100 persons, a rise of 10.3%. In the same period, the number of people employed in all industries increased by 5.6%. Of the 984,100 persons employed in the construction industry, 65.4% were employed in construction services, 23.5% in building construction, 7.1% in heavy and civil engineering construction and 3.9% in general construction activities, not further defined.

PERSONS EMPLOYED^(a), Construction Industry - May 2009

	May 2006 '000	May 2007 '000	May 2008 '000	May 2009 '000
Building Construction				
Residential Building	71.0	70.0	90.0	73.0
Non-Residential Building	41.0	42.0	43.0	48.0
Building Construction, nfd	100.0	104.0	115.0	110.0
Heavy and Civil Engineering Construction				
Heavy and Civil Engineering Construction	48.0	74.0	60.0	70.0
Construction Services				
Land Development and Site Preparation	53.0	51.0	55.0	48.0
Building Structure Services	87.0	83.0	95.0	91.0
Building Installation Services	182.0	211.0	212.0	226.0
Building Completion Services	192.0	181.0	201.0	189.0
Other Construction Services	96.0	89.0	88.0	85.0
Construction Services, nfd	4.0	7.0	3.0	5.0
Construction, nfd	18.0	25.0	15.0	38.0
Total Construction	892.0	937.0	976.0	984.0

Total All Industries	10 213.0	10 523.0	10 755.0	10 782.6
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(a) All data presented are for May Quarter

Note: nfd - not further defined

Source: Labour Force, Australia, Detailed, Quarterly, May 2010, (cat. no. 6291.0.55.003)

Hours Worked

Over the period from May 2006 to May 2009, the average hours worked per week by employees in the construction industry was consistently higher than the average for employees in all industries. During May 2009, average hours worked per week by construction industry employees was the third highest of any industry, ranking behind only Mining (43.9 hours) and Agriculture (43.6 hours). On average, the least hours per week were worked by employees in the Accommodation and Food Services industry (27.7 hours).

AVERAGE HOURS WORKED PER WEEK, Construction Industry

	May Quarter 2004	May Quarter 2005	May Quarter 2006	May Quarter 2007	May Quarter 2008	May Quarter 2009
Construction	38.5	38.1	38.8	39.0	38.9	37.8
Total All Industries	34.6	34.6	34.6	34.6	34.6	33.7

Note: nfd - not further defined

Source: Labour Force, Australia, Detailed, Quarterly, May 2010, (cat. no. 6291.0.55.003)

Average Weekly Earnings

The average weekly earnings (AWE) for employees engaged in the construction industry is higher than the average across all industries. This applies to both full-time adult employees and the total for all employees. In May 2009, the AWE for full-time adult employees and all employees in the construction industry was 7.9% and 26.8% higher than the AWE for all industries, respectively. For all employees in the construction industry, AWE have increased 25.8% between 2006 and 2009, compared to an increase of only 12.1% across all industries.

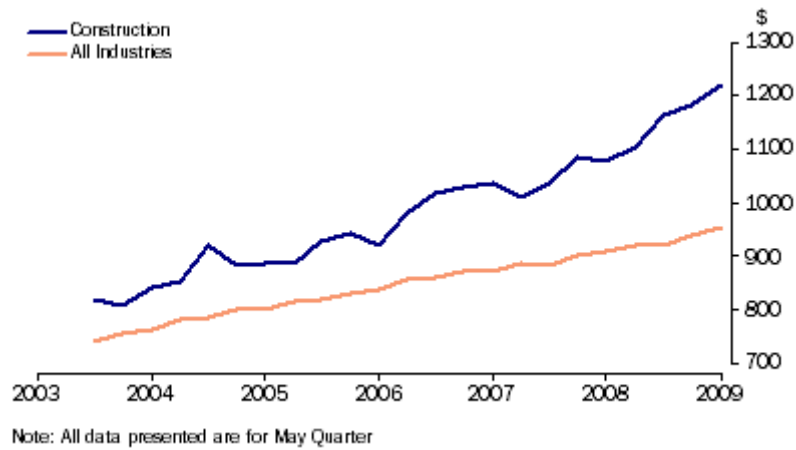
AVERAGE WEEKLY EARNINGS^(a), Construction and All Industries

	2006 \$	2007 \$	2008 \$	2009 \$
Construction Industry				
Full time adult, total earnings	1 067.1	1 167.6	1 225.0	1 332.2
All employees	926.4	1 018.2	1 036.7	1 165.0
All Industries				
Full time adult, total earnings	1 073.6	1 124.1	1 171.5	1 234.9
All employees	819.7	858.5	885.0	918.6

(a) All data presented are for May Quarter

Source: Average Weekly Earnings, Australia, May 2010, (cat. no. 6302.0)

AVERAGE WEEKLY EARNINGS, All employees



Source: Average Weekly Earnings, Australia, May 2010, (cat. no. 6302.0)

Status of Employment

Of persons employed in the construction industry in May 2009, 72.5% (713,000) were employees, compared to 88.6% for all industries. Persons operating on an 'Own Account' basis made up the second largest group of workers in the construction industry, at 22.1% (218,000). This compares to only 8.6% for all industries.

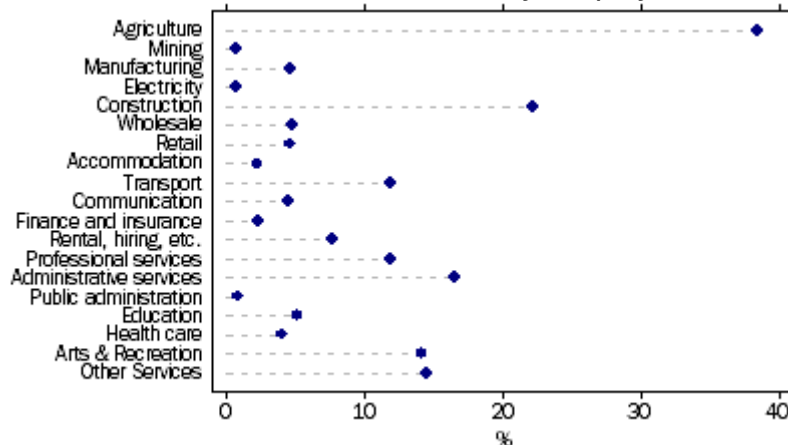
PERSONS EMPLOYED, By status of employment - May 2009

Type of Employment	Employee	Employer	Own account worker	Contributing family worker	All employees
Construction ('000)	713.0	49.0	218.0	4.0	984.0
% of total employment	72.5	5.0	22.1	0.4	100.0
All Industries ('000)	9 552.1	264.7	932.0	32.9	10 781.7
% of total employment	88.6	2.5	8.6	0.3	100.0

Source: Labour Force, Australia, Detailed, Quarterly, May 2010, (cat. no. 6291.0.55.003)

This makes the construction industry the second most likely to have workers operating on an 'Own Account' basis. As at May 2009, 38.5% of persons in the Agriculture, Forestry and Fishing industry were 'Own Account' workers.

OWN ACCOUNT WORKERS, % of Industry Employment - May 2009



Source: Labour Force, Australia, Detailed, Quarterly, May 2010, (cat. no. 6291.0.55.003)

Industrial Disputes

The number of industrial disputes in the construction industry has increased by 73.3% over the past two years, however the figure in 2008-09 remains 81.6% lower than during 2004-05. Industrial disputes for all industries have fallen 66.3% over the same period. In 2008-09 the construction industry contributed to 27.1% of all industrial disputes, despite representing only 7.7% of all employees involved in such disputes.

During 2008-09, 12,900 employees in the construction industry were involved in industrial disputes, more than double the number for the previous year. In the same period, the number of working days lost in the construction industry as a result of industrial dispute increased 175.3%, compared to a 23.5% fall across all industries. The number of employees from the construction industry involved in industrial disputes has fallen 84.3% since 2004-05, while the resultant loss of working days for employees has fallen 80.1%.

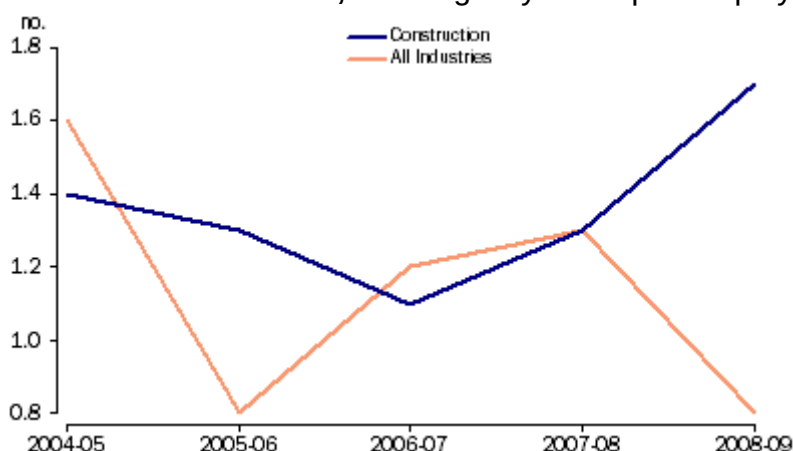
Industrial Disputes

	2004-05	2005-06	2006-07	2007-08	2008-09
Construction Industry					
Number of Disputes (no.)	283	146	30	36	52
Employees involved ('000)	82.2	41.6	8.1	6.4	12.9
Working days lost ('000)	111.9	52.4	9.3	8.1	22.3
Working days lost per employee involved	1.4	1.3	1.1	1.3	1.7
All Industries					
Number of Disputes (no.)	570	354	144	166	192
Employees involved ('000)	156.2	227.1	73.4	131.3	167.0
Working days lost ('000)	243.2	188.6	88.7	164.9	126.2
Working days lost per employee involved	1.6	0.8	1.2	1.3	0.8

Source: ABS data available on request, Industrial Disputes, Australia, (cat. no. 6321.0.55.001)

In 2008-09 the ratio of working days lost per employee involved in industrial disputes rose from 1.3 to 1.7 days, its highest level since 2002-03. The ratio for all industries fell from 1.3 to 0.8 days over the same period. Employee's in the construction industry, engaged in an industrial dispute during 2008-09, lost nearly one additional day of work, when compared to employees involved in industrial disputes across all industries.

INDUSTRIAL DISPUTES, Working Days Lost per Employee



Source: ABS data available on request, Industrial Disputes, Australia, (cat. no. 6321.0.55.001)

PRODUCER PRICES

Producer price indexes for the materials used in house construction rose continuously between 2005-06 and 2008-09, increasing by 14.1%. In 2008-09 the annual growth rate of the index was 6.5%, almost double that of the previous year. Over the four year period to 2008-09, the growth in producer price indexes for materials used in house construction was consistently less than growth in the index for manufacturing industries, which rose 21.5%.

PRODUCER PRICE INDEXES, Materials used in building^(a)

	2005-06	2006-07	2007-08	2008-09
Materials used in House Building	142.0	147.0	152.1	162.0
% change	na	3.5	3.5	6.5

na not available

(a) Reference year 1989-90 = 100.0

Source: Producer Price Indexes, Australia, March 2010, (cat, no, 6427.0)

The producer price index for output from the construction industry has also increased steadily between 2005-06 and 2008-09. Building construction increased 13.3% over the period, driven by an increase in the indexes for Non-residential building construction, 15.1%, Other residential building construction, 12.3%, and House construction, 11.9%. The producer price index for output from Road and bridge construction rose 17.9% over this period.

PRODUCER PRICE INDEXES, Output of Construction Industry^(a)

	2005-06	2006-07	2007-08	2008-09
House construction	136.1	139.7	146.8	152.3
Residential building construction n.e.c.	138.7	144.8	152.3	155.7
Non-residential building construction	138.2	146.2	155.4	159.0
Building construction	136.8	142.5	150.4	155.0
Road and bridge construction	133.2	139.9	147.5	157.0

(a) Reference year 1989-90 = 100.0

Source: Producer Price Indexes, Australia, March 2010, (cat, no, 6427.0)

CONCLUSION

The construction industry continues to be a major sector in Australia's economy. In many ways industry performance both drives and is driven by levels of employment and economic growth. As a contribution to GDP, construction fell to 6.8% in chain volume terms for 2008-09, its lowest level since 2005-06 and first such fall since 2000-01. Large investment in engineering projects and economic issues affecting building construction has seen the value of construction work done in 2008-09 almost evenly split between these two activities. In 2004-05 building construction and engineering construction contributed 62.7% and 37.3% respectively. Recent construction industry related media has focussed on the affects of Global Financial Crisis, Government infrastructure spending and housing availability.

Despite a declining contribution to GDP in 2008-09, more people are employed in the construction sector than ever before. Over the three year period to May 2009, growth in Average Weekly Earnings in the Construction Industry rose 13.7% faster than for the average of all sectors. During the same period Average Hours Worked in the construction industry remained higher than the average for all industry groups, showing a difference of 12.2% as at May 2009.

Construction remains one of Australia's largest and most important industries, with movement in industry indicators often directly linked to changes in social, economic and political trends.

FURTHER INFORMATION

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